

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6525

BILL NUMBER: SB 327

NOTE PREPARED: Dec 29, 2013

BILL AMENDED:

SUBJECT: Minimum Wage.

FIRST AUTHOR: Sen. Tallian

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☒ FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill increases the state minimum wage from \$7.25 to \$10 and the state tipped employee minimum wage from \$2.13 to \$3.

Effective Date: July 1, 2014.

Explanation of State Expenditures: According to information provided by the Indiana State Personnel Department, only a very small number of state employees will be affected by the bill. In fact, it appears that seasonal employees working at state parks will be most affected. In 2013, there were roughly 1,300 state employees during the summer months who earned between \$7.25 and \$10.00 per hour. The overwhelming majority of these employees were seasonal/intermittent employees and part-time employees. A rough estimate using point-in-time staffing data indicates the increase will cost the state approximately \$1.4 M in additional wages each year. However, the total additional cost to the state from the required increase to the salaries of future seasonal hourly employees will depend upon the number of seasonal employees hired in the future, the length of their seasonal employment, as well as their average weekly hours.

The bill may also affect private organizations that do business with the state and that employ individuals who earn less than \$10.00 per hour on their payroll. Requiring those organizations to increase wages to those employees may increase their costs, thereby increasing contract costs for the state. Those potential increases are indeterminate at this time.

Additional Information: The bill increases the minimum wage by approximately 38% and the tipped minimum wage by approximately 40%. In regards to the tipped minimum wage, tipped employees must be

paid at least the hourly minimum wage. The tipped minimum wage is the base hourly wage that employers are required to pay tipped employees. If the employee is not compensated at a rate equal to the minimum wage after adding any tips received to the base hourly wage, the employer must pay the employee the difference.

Explanation of State Revenues:

Explanation of Local Expenditures: Bureau of Labor Statistics data indicates that 2.6% of minimum wage employees are employees of local government units. That would indicate that roughly 1,300 of the 50,000 minimum wage earners in Indiana are employed by local units. It is unknown how many employees of local units earn between \$7.25 and \$10.00 per hour. Local units of government will be required to increase the hourly wages of those employees to \$10.00. Looking at minimum wage employees only, local governments statewide would be required to pay an additional estimated wages of \$4.5 M each year.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: Indiana Department of Labor Wage & Hour FAQs, www.in.gov/dol/2345.htm; U.S. Department of Labor, Wage and Hour Division, www.dol.gov/whd/minwage/america.htm (Accessed 11/5/13); Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey (2012); Keith Beesley, Indiana State Personnel Department, kbeesley@spd.in.gov.

Fiscal Analyst: Stephanie Wells, 232-9866.